

# **Climate Finance**

*Cos'è? Quanto è grande? Da dove viene?*

*Uno sguardo al panorama mondiale degli investimenti  
per ridurre i cambiamenti climatici*

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Workshop, 1 Dicembre 2015, Università di Padova



CLIMATE  
POLICY  
INITIATIVE

BRAZIL  
CHINA  
EUROPE  
INDIA  
INDONESIA  
UNITED STATES

Isola di San Giorgio Maggiore 8  
30124 Venezia, Italy  
[climatepolicyinitiative.org](http://climatepolicyinitiative.org)

# An overview of Climate Policy Initiative

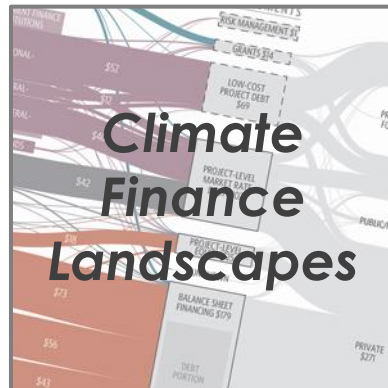
Climate Policy Initiative (CPI) works to improve the most important **energy** and **land use** policies around the world, with a particular focus on **finance**. We support decision makers through in-depth analysis on what works and what does not

## Where we work:

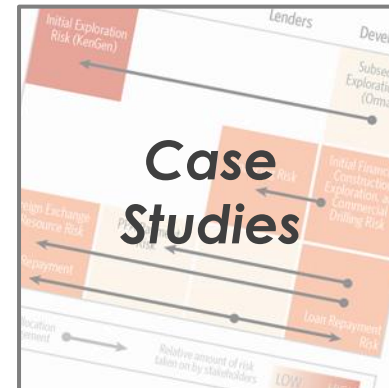
- Venice
- San Francisco
- Delhi
- Jakarta
- Rio de Janeiro
- China
- London

# The focus of our climate finance workstream

## TRACKING



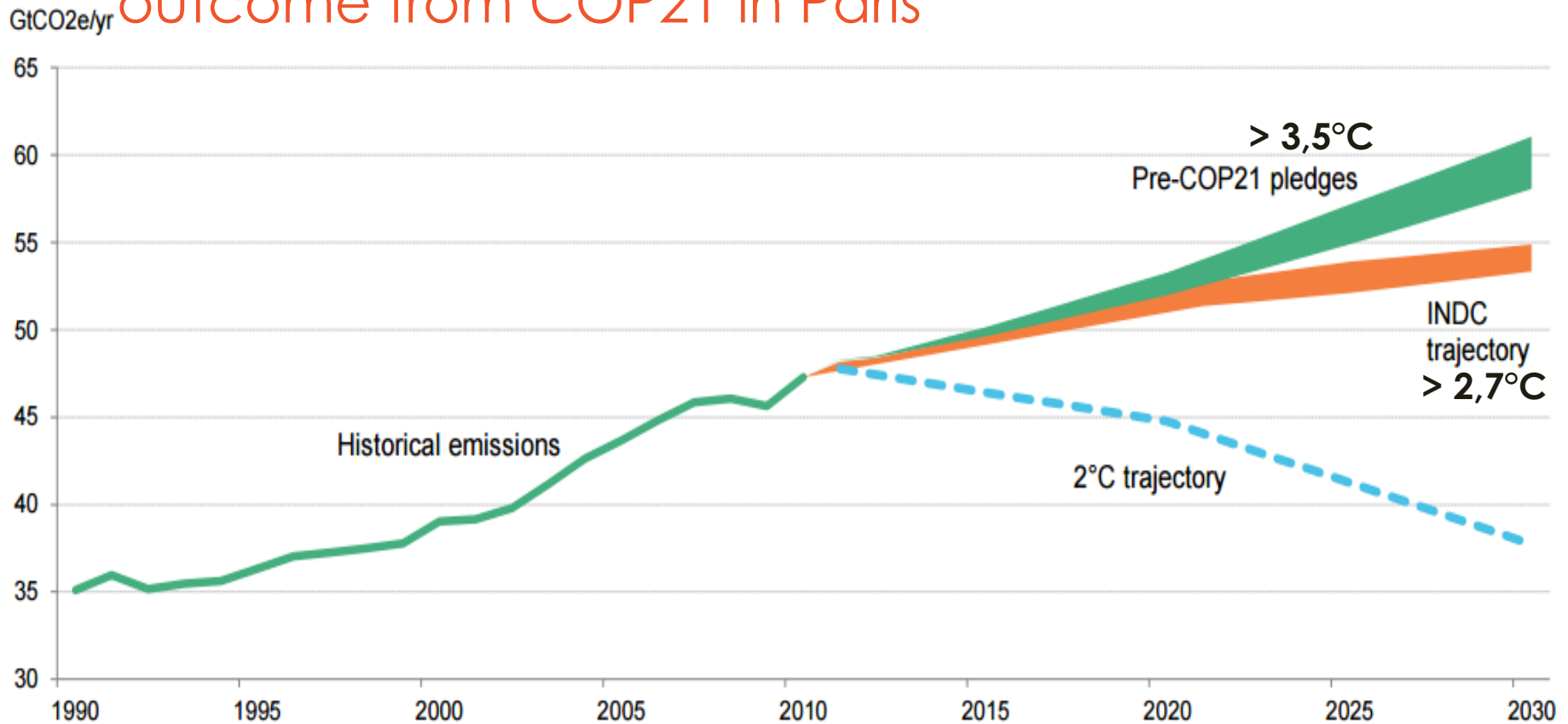
## EFFECTIVENESS



## INNOVATION



# Brief on emission pathways and the most likely outcome from COP21 in Paris



~~A global, ambitious and binding agreement~~

A solid base for future negotiations

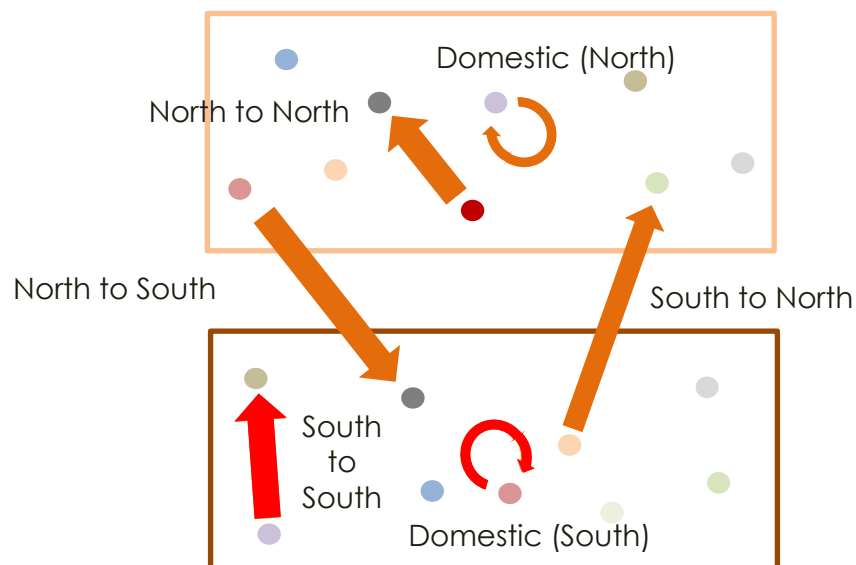
# What is climate finance?

## DEFINITION

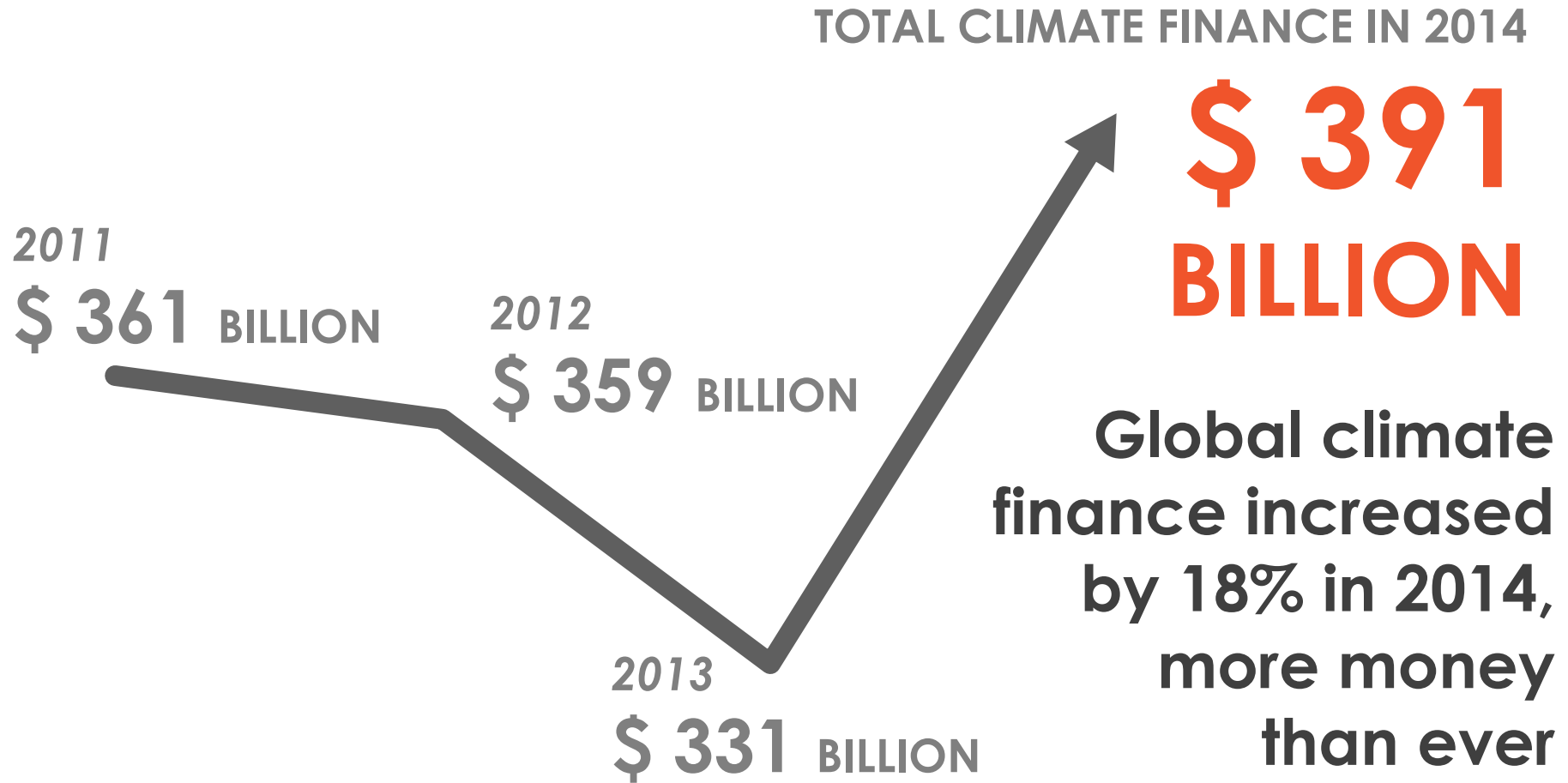
- **MISSING**

## FOCUS OF THE LANDSCAPE OF CLIMATE FINANCE

- Capital flows targeting **low-carbon and climate-resilient development interventions**
- Direct or indirect **benefits to:**
  - **Mitigation**
  - **Adaptation**
  - **Dual mitigation/adaptation benefits**
- Mainly **project-level data**, aggregated if not available
- for **various geographical configurations**



# Total climate finance reached USD 391 billion in 2014



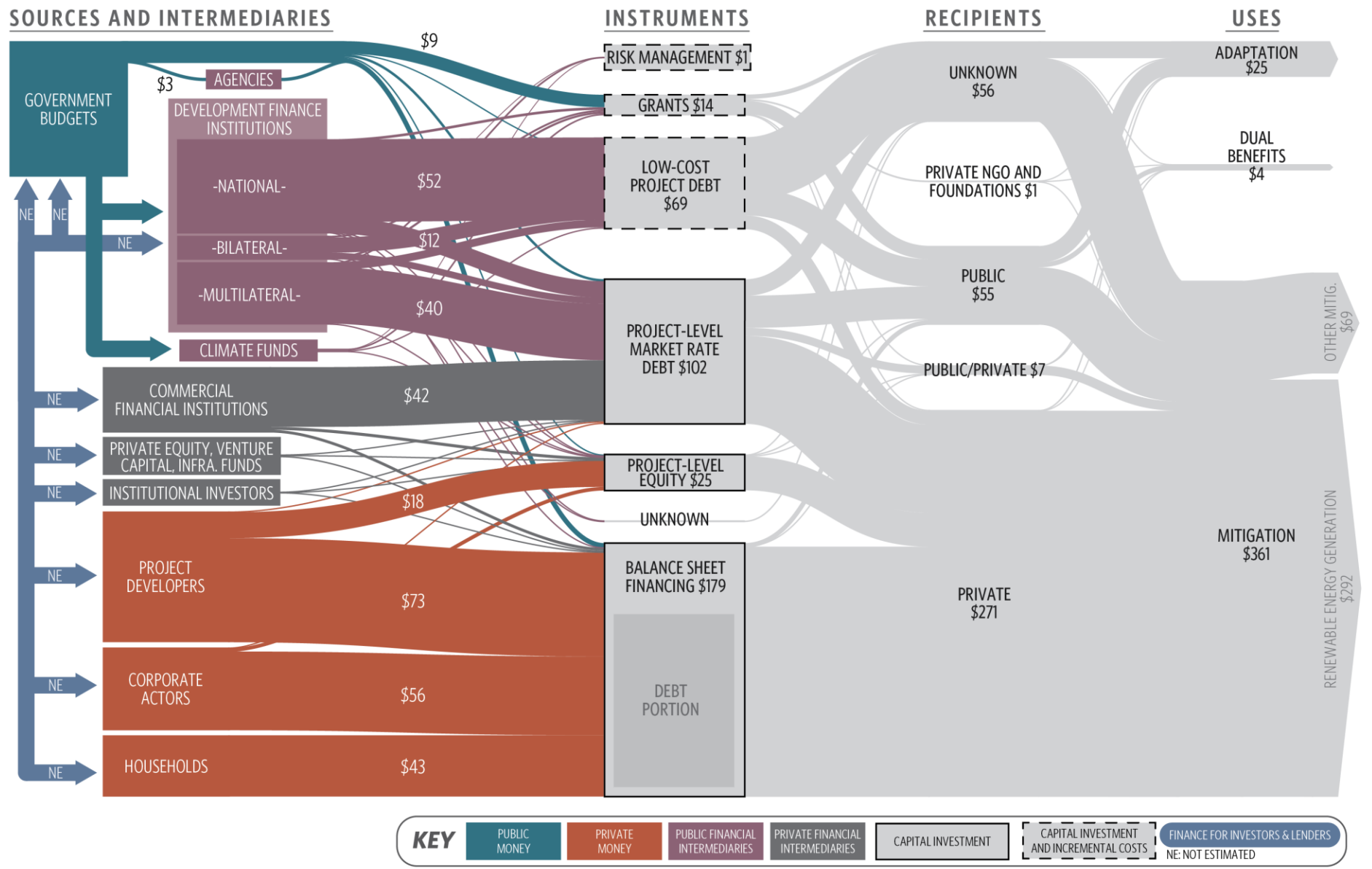
# GLOBAL LANDSCAPE OF CLIMATE FINANCE 2015

Landscape of Climate Finance 2015 illustrates climate finance flows along their life cycle for the latest year available, mostly 2014, in USD billions

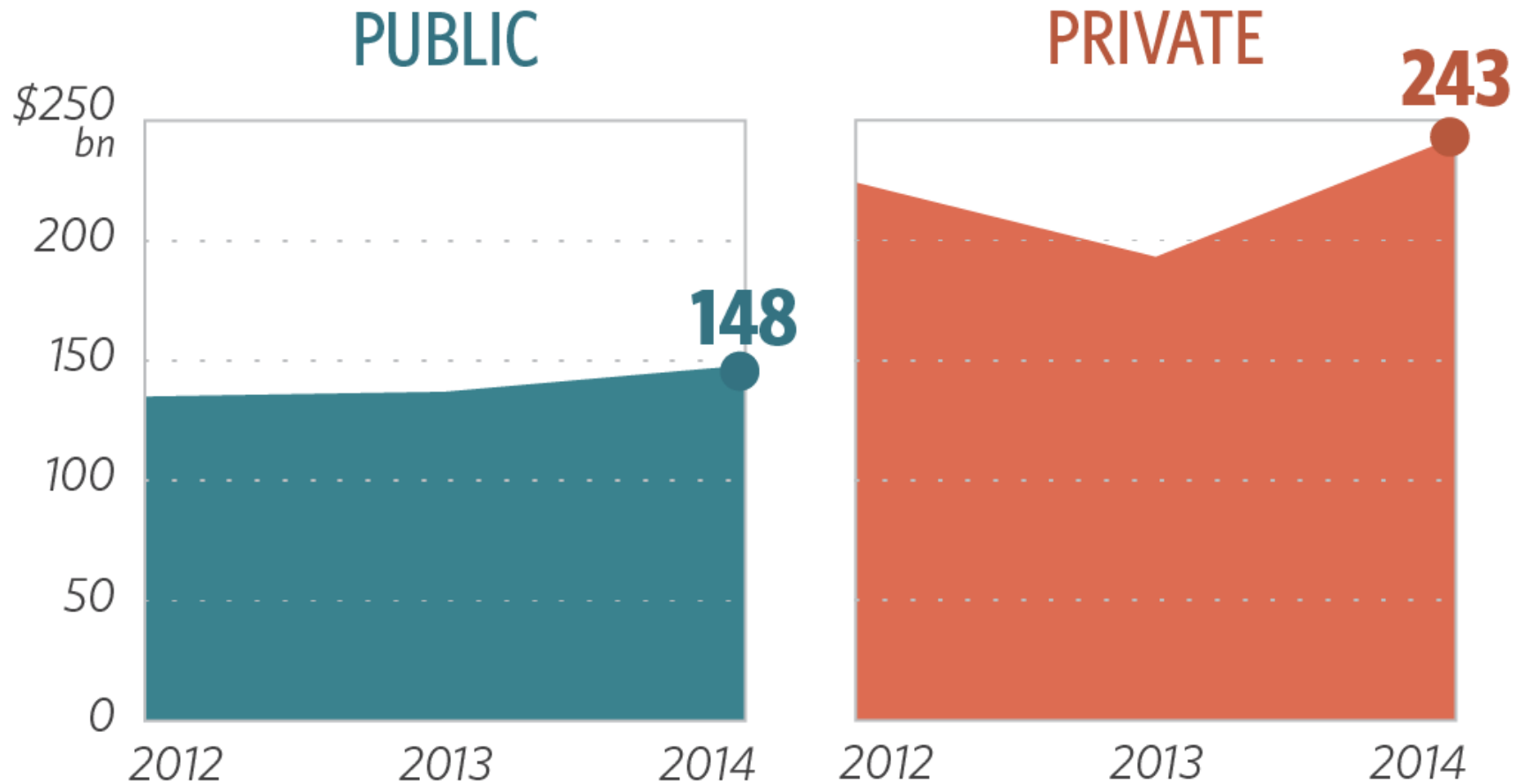
# USD 391<sup>BN</sup> TOTAL



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POLICY  
INITIATIVE



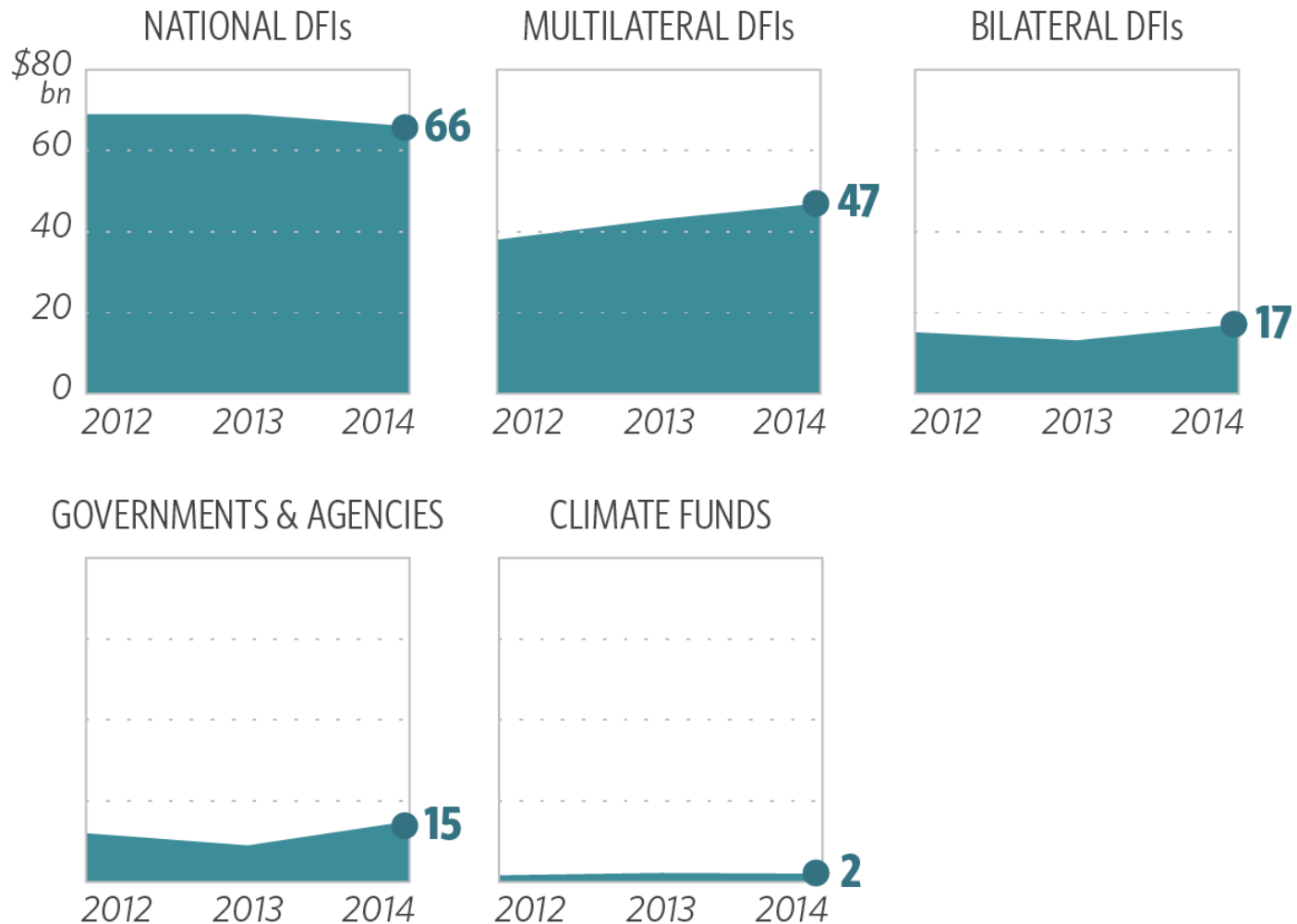
# Total public and private climate finance increased in 2014



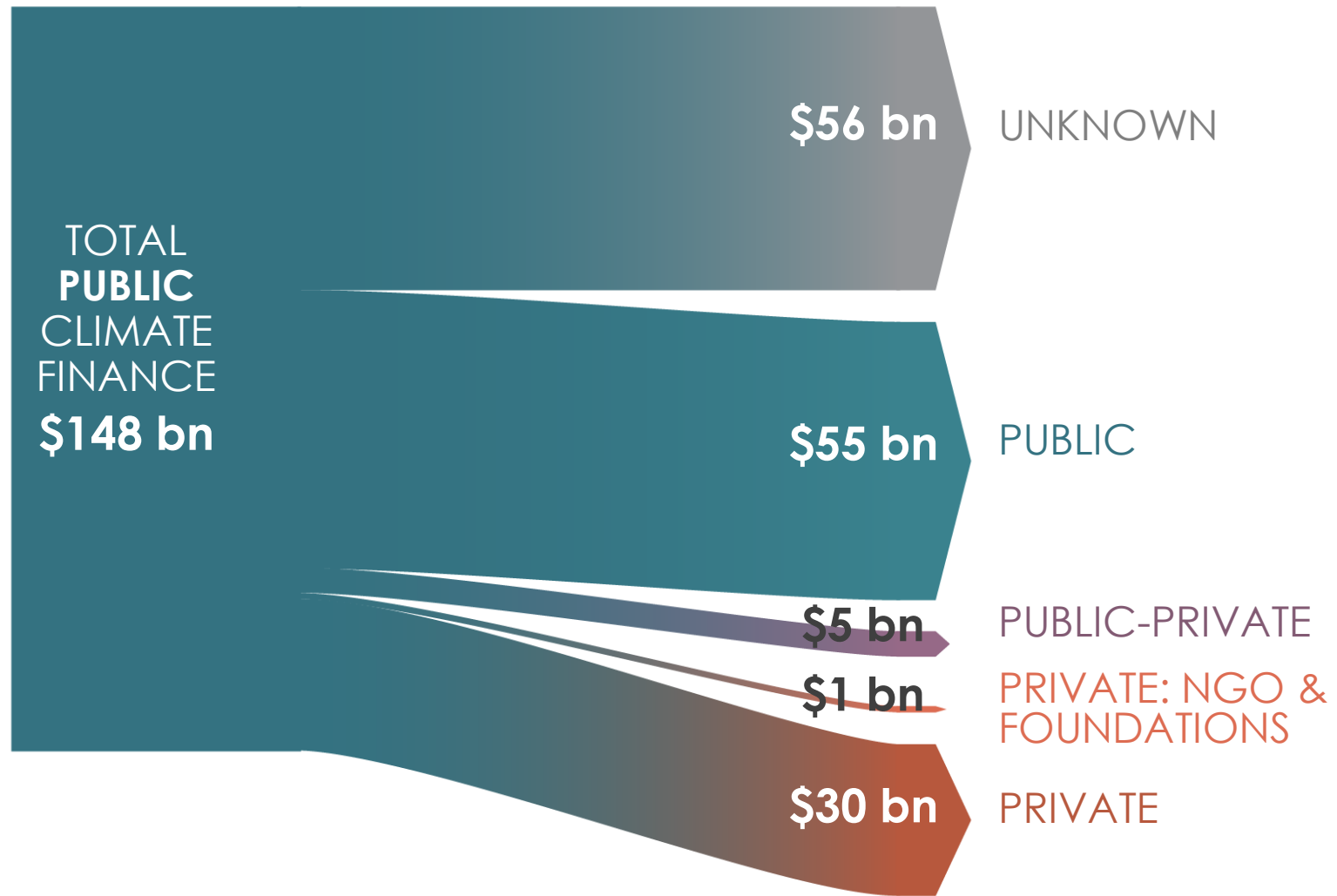
TOTAL **\$391** BILLION



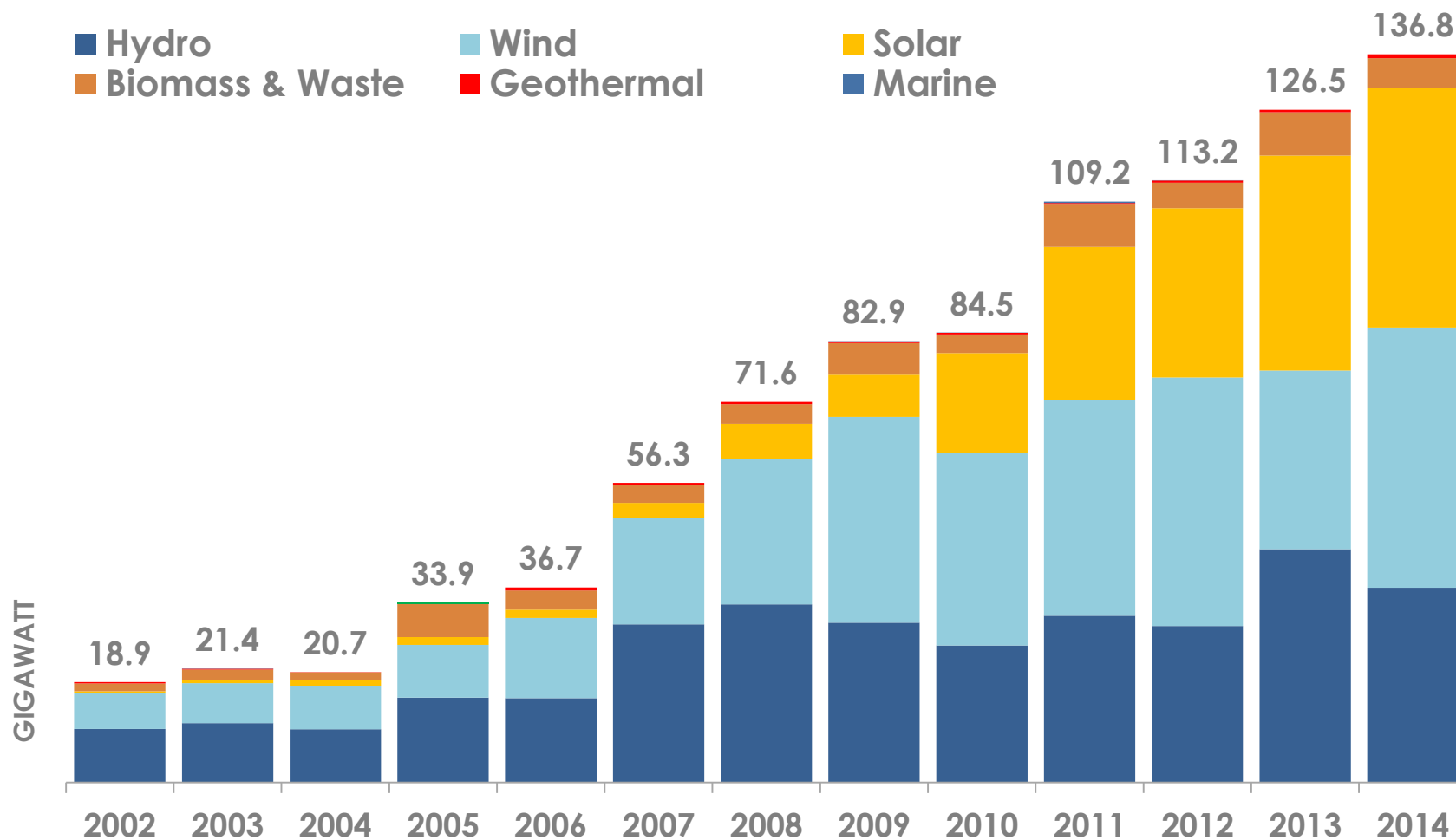
# Development Finance Institutions' commitments reached USD 131 billion – the highest one-year total



At least USD 31 billion or 21% of public finance went to private entities



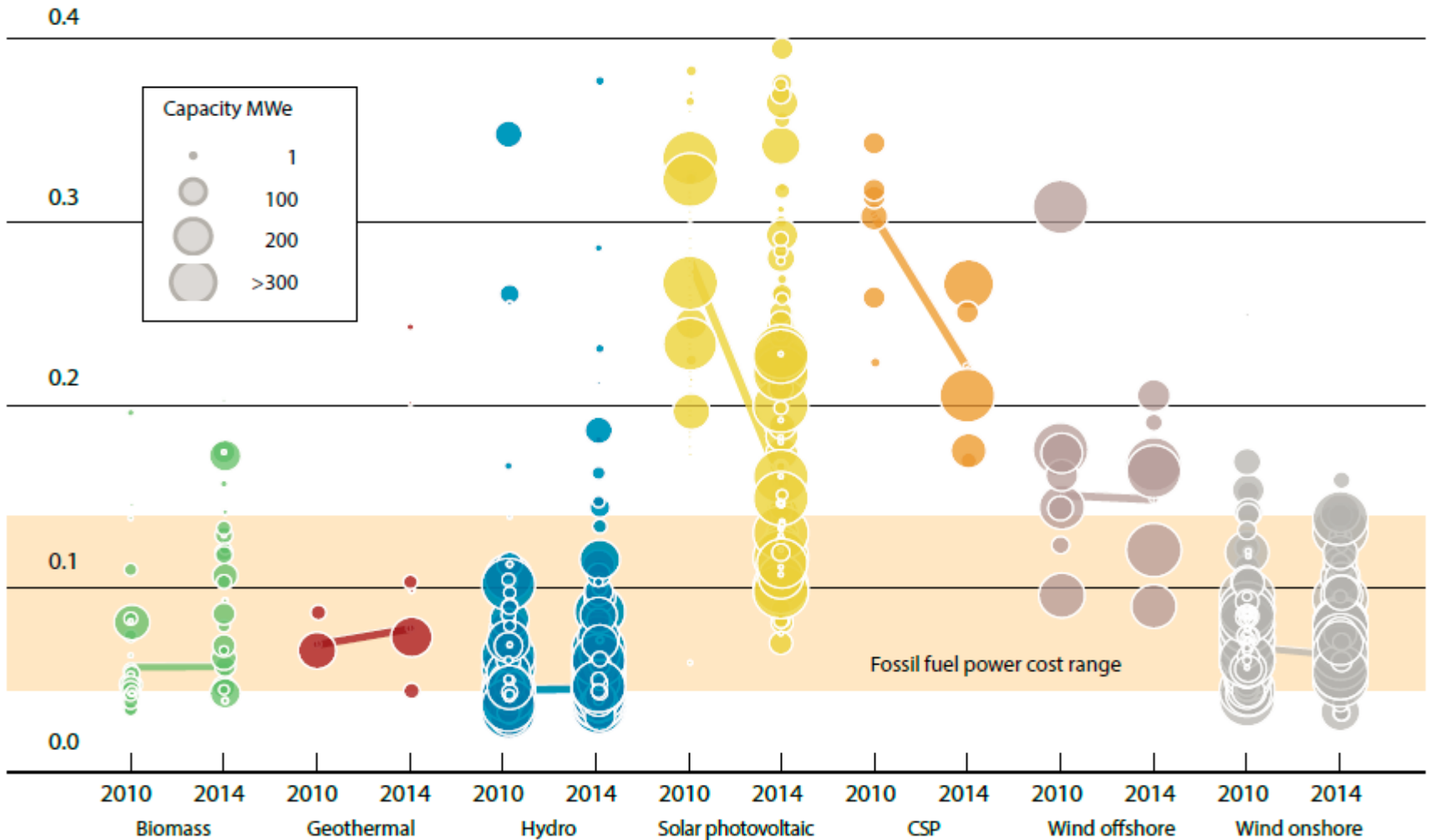
# Private investment generated a record volume of new renewable energy installed capacity in 2014



Source: BNEF 2015

# Renewable energies are being deployed at a lower cost than ever, increasingly becoming cost-competitive with fossil fuels

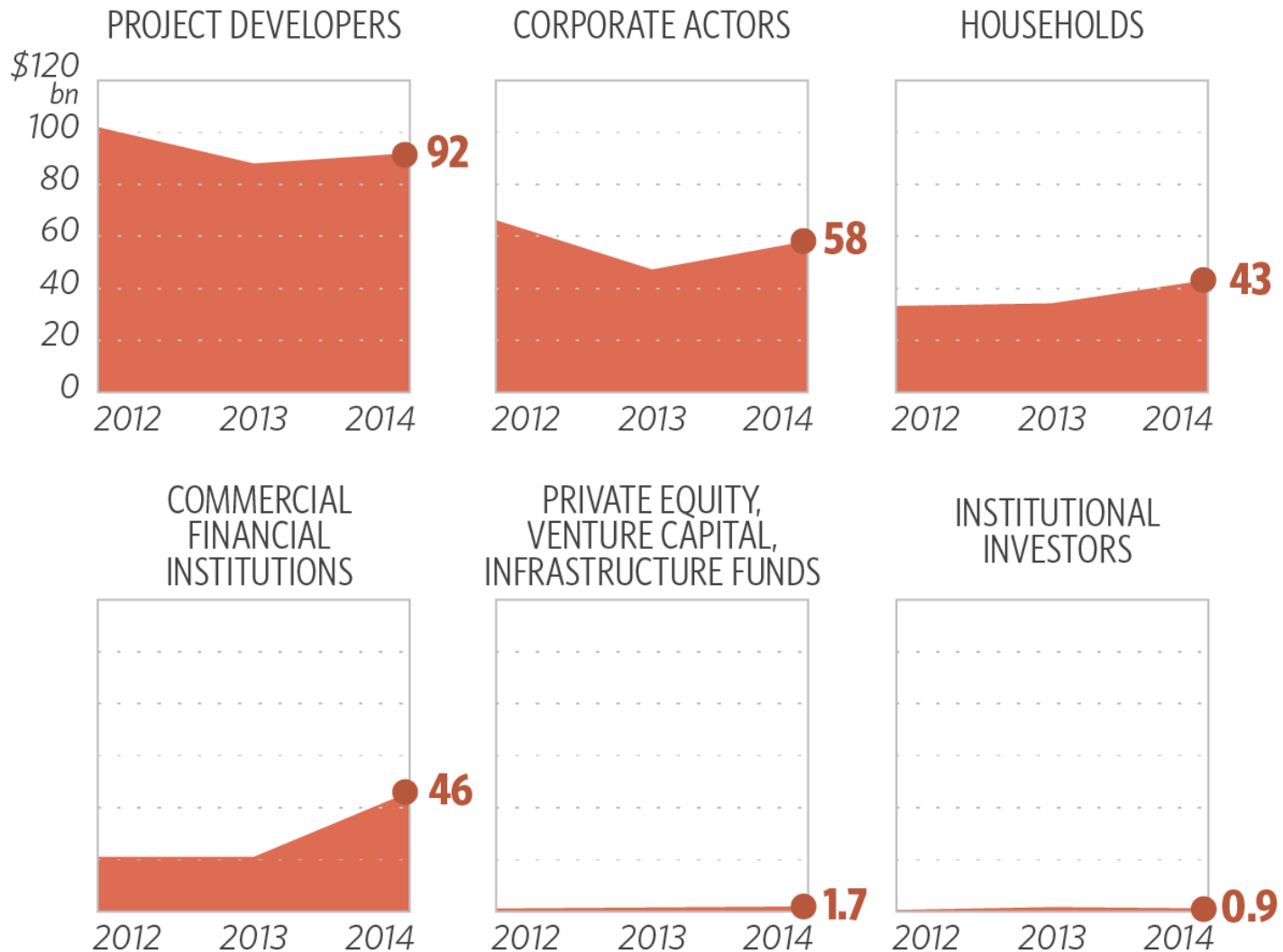
2014 USD/kWh



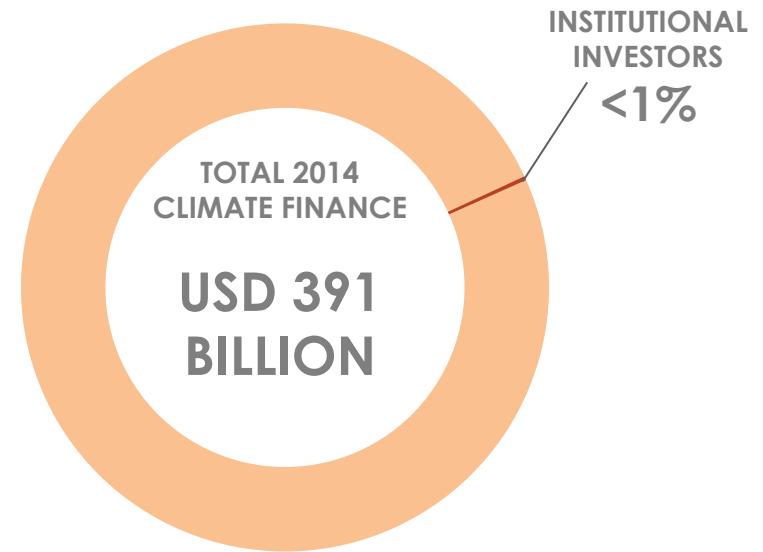
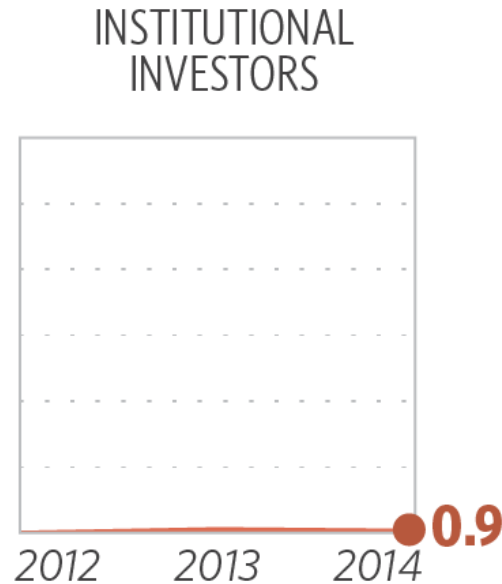
The levelised cost of electricity (LCOE) of renewables in 2010 and 2014, compared to fossil fuels.

Source: IRENA, 2014

Project developers represented the most prominent investors' class in 2014, with 38% of total private finance



Institutional investors directly invested around USD 1 billion in renewable energy projects, a small portion of their estimated assets



ESTIMATED ASSETS UNDER MANAGEMENT

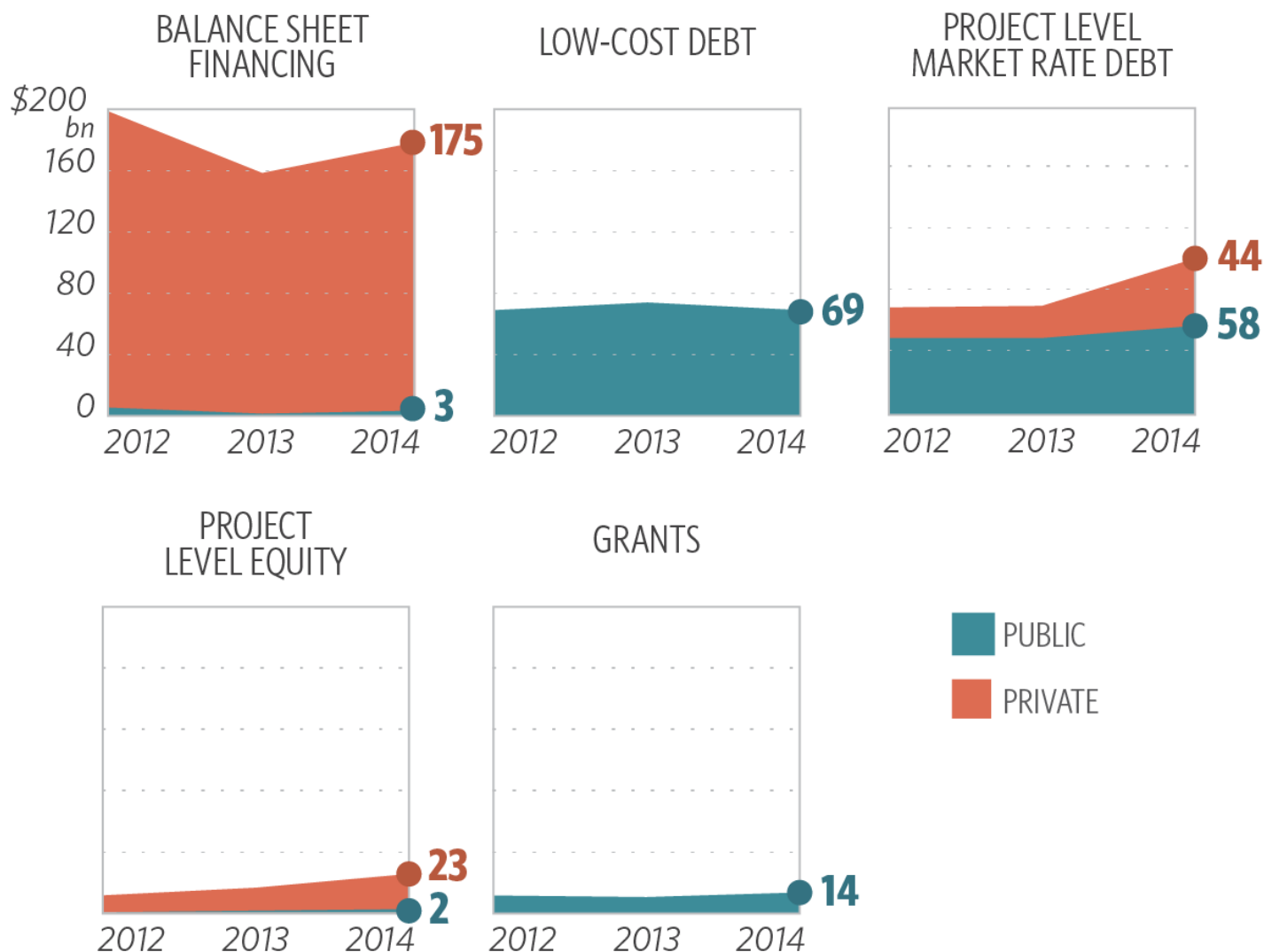
**USD 93 TRILLION**  
IN 2013\*

\*Source: OECD

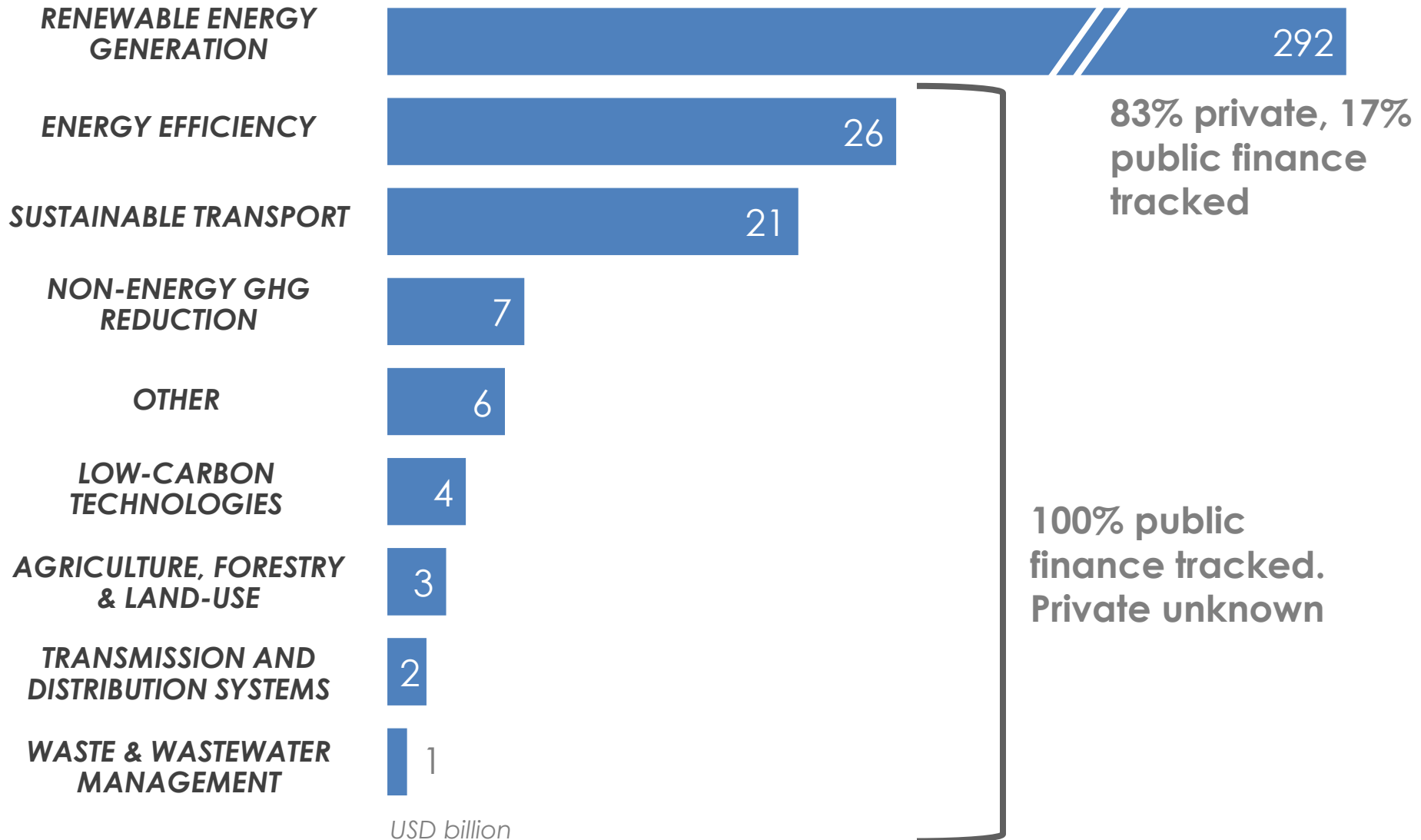
NEW INSTRUMENTS MAY UNLOCK FUNDS

- *Green Bonds*
- *Yieldcos*

# Established instruments financed most projects, but investors are experimenting with new approaches

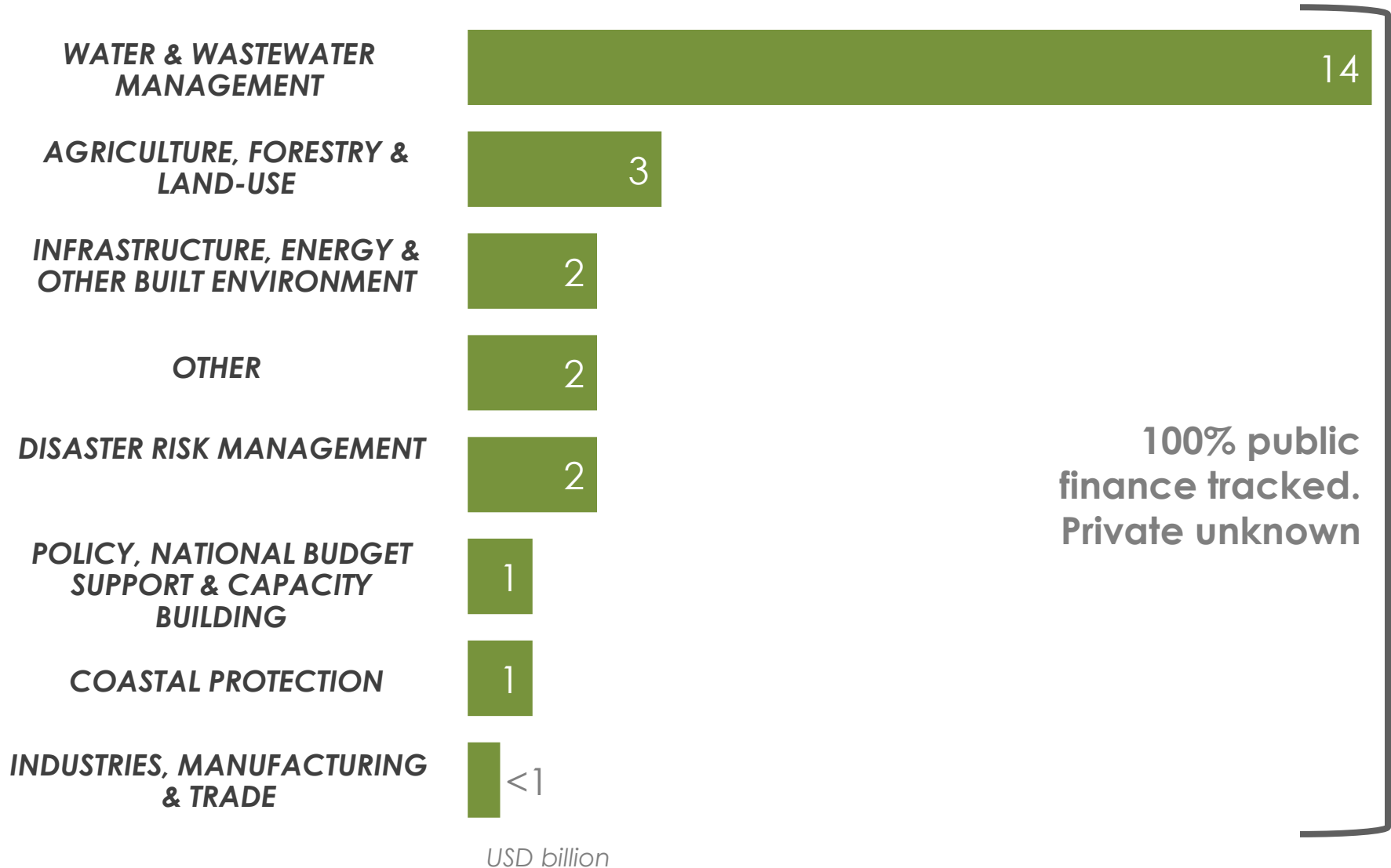


# Mitigation accounted for 93% of total climate finance, and focused on three main sectors

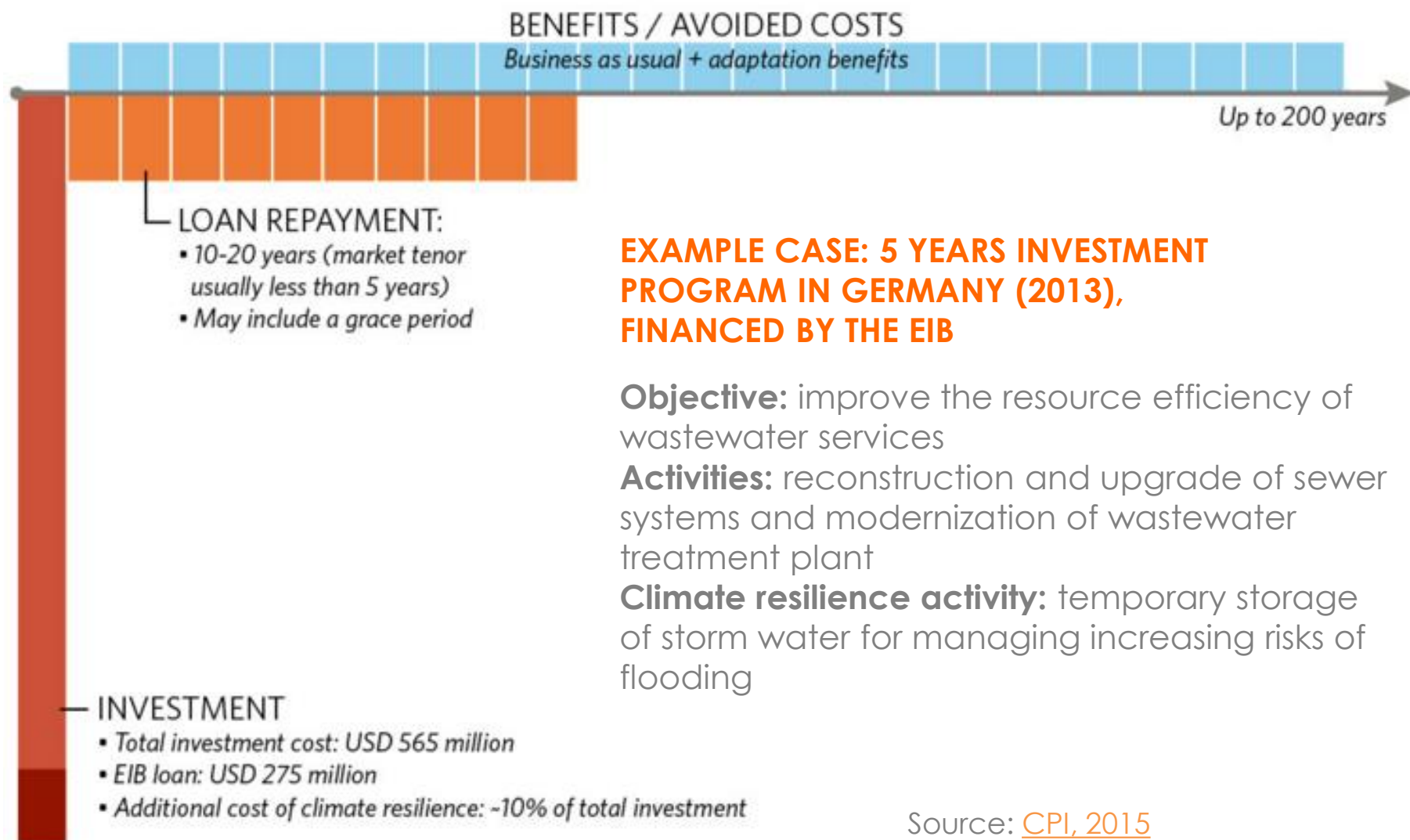




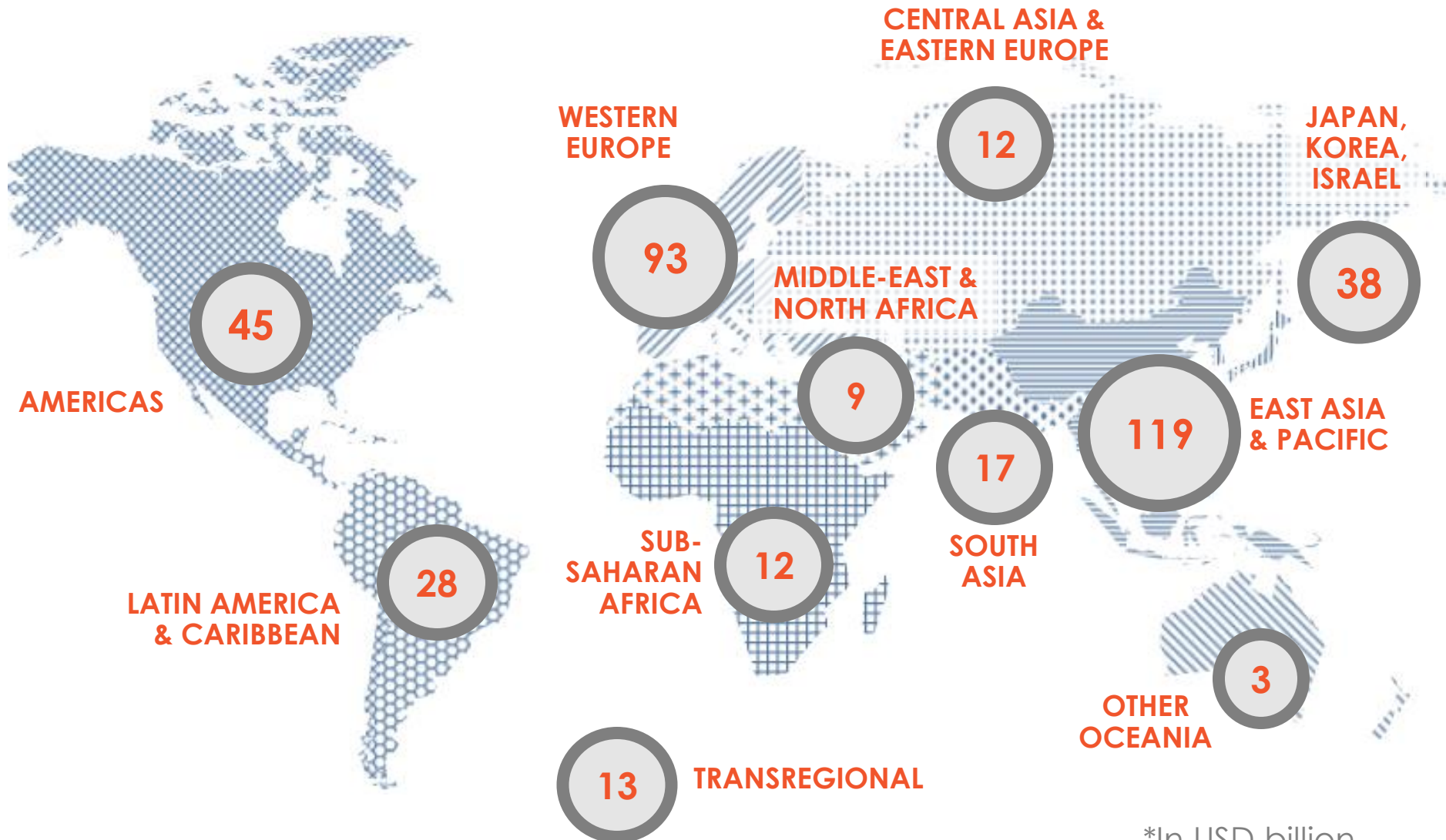
# Water and wastewater management attracted around half of adaptation finance flows



# The additional cost of resilience is not easy to identify, but ensures longer-term benefits in vulnerable sectors



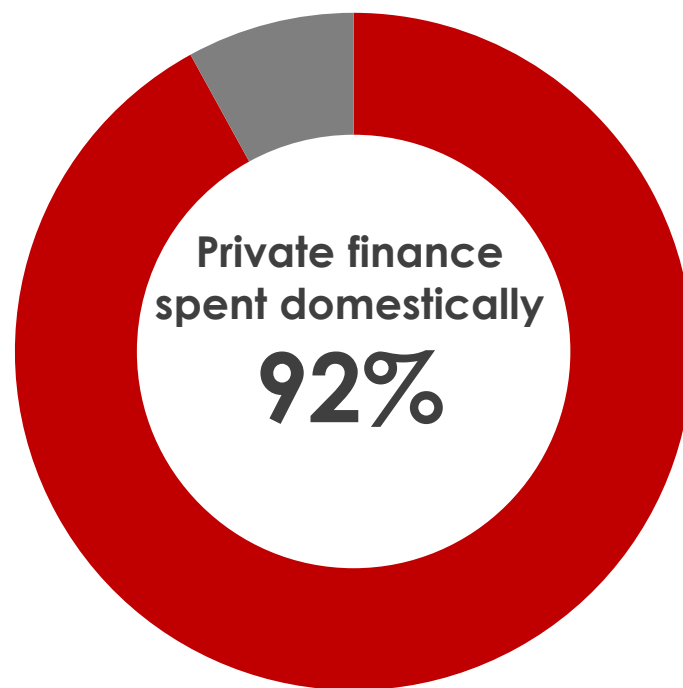
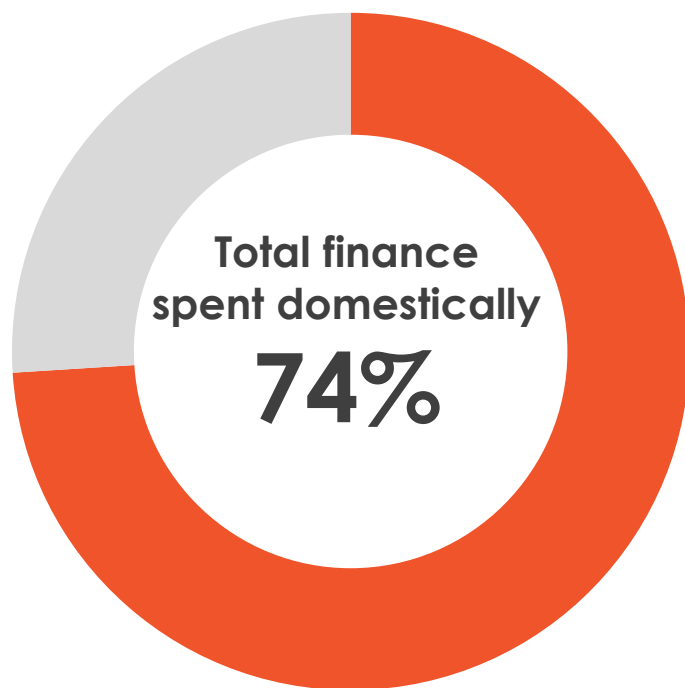
# East Asia & the Pacific and Western Europe remain the main destinations of climate finance flows



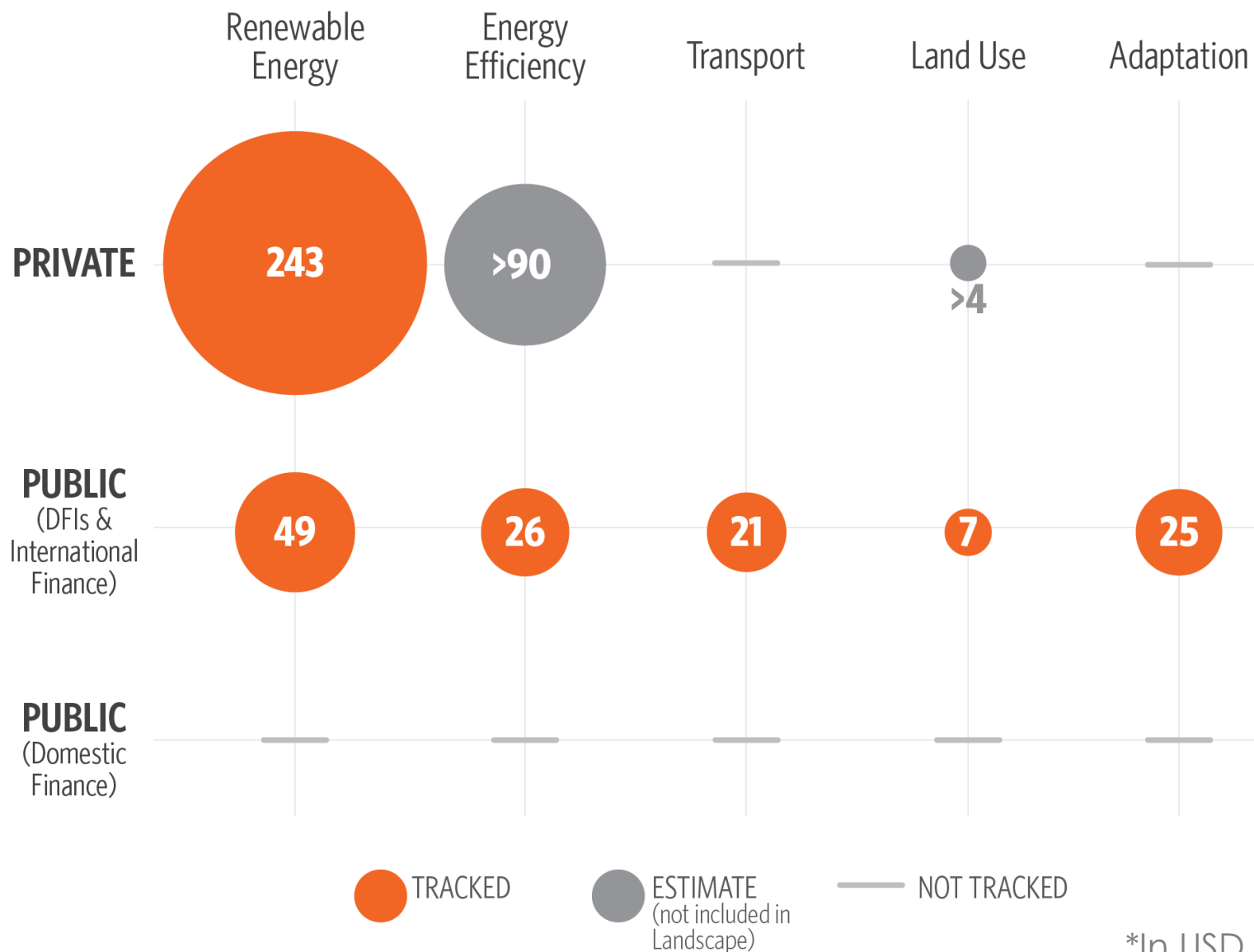
\*In USD billion

The majority of finance was raised and spent in the same country

Because domestic investment dominates, it is vital to get national policies right



# Despite progress in tracking climate finance, there are still significant data gaps



# The Global Landscape of Climate Finance builds upon a mix of different data sources

Table 1: Sources of data

FLOW	SOURCE OF DATA	DATA GRANULARITY
Private finance (renewable energy)	BNEF (2015a) BNEF (2015b)	Project-level (large-scale); aggregated (small-scale)
	Mauthner et al. (2015) REN21 (2015)	Aggregated
Development Finance Institutions*	Direct reporting to CPI	Project-level and Aggregated
	BNEF (2015a)	Project-level
	IDFC (2014) KfW (2015)	Aggregated
Climate Funds	ODI/HBF (2015)	Project-level
	CIF (2015); GEF (2015)	Project-level
	See Section 4 for further details	
Governments and their agencies	OECD (2015a)	Project-level
	BNEF (2015a)	Project-level
	US State government (2015)	Aggregated

# How big is 2014 climate finance in perspective?

USD 391 billion is not enough....



**USD  
391 BN**  
Climate  
Finance

**USD  
490 BN**  
Fossil fuel  
subsidies\*

**USD  
1000 BN**  
Investment  
in new oil,  
gas and  
coal\*

**USD16,5  
TRILLION**

Investment needed  
2015 – 2030 to limit  
temperature increase  
to 2°C\*

Source: \*IEA

# Four opportunities to scale up climate finance

1

**Enhance tracking efforts** to further improve transparency, comprehensiveness, and consistency in accounting approaches

Get **domestic** investment policy and support frameworks right

2

3

**Innovate** to develop or refine financial instruments that meet **investors' needs**

Further **integrate climate change** considerations **into the financial system**

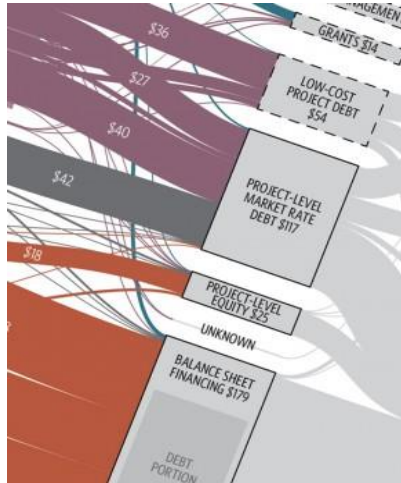
4

5

**Paris must be a starting point, not an arrival**



# Explore Landscape 2015 further...



**DOWNLOAD THE REPORT:**

<http://climatepolicyinitiative.org/publications/>



## THE LANDSCAPE OF CLIMATE FINANCE

**EXPLORE THE INTERACTIVE:**

<http://www.climatefinancelandscape.org/>

*...helping decision makers spend their money wisely*



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